

DEPARTMENT OF HEALTH AND HUMAN SERVICES

**OFFICE OF  
INSPECTOR GENERAL**

**Medical Equipment and Supply Claims with  
Invalid or Inactive Physician Numbers**



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# EXECUTIVE SUMMARY

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## PURPOSE

This inspection examined Medicare payments for medical equipment and supply claims submitted with invalid or inactive unique physician identification numbers.

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## BACKGROUND

Medicare beneficiaries covered by Part B are eligible to receive medical equipment and supplies deemed medically necessary by a physician. Medicare regulations require suppliers to provide the unique physician identification number (UPIN) of the physician who ordered the equipment and/or supplies when submitting a claim. Because Medicare payment for medical equipment and supplies is only authorized when items are ordered by a physician, claims with incorrect UPIN information should not be paid.

The Consolidated Omnibus Budget Reconciliation Act of 1985 required the Centers for Medicare & Medicaid Services (CMS) to establish UPINs for all physicians who provide services to Medicare beneficiaries. Each physician is assigned one and only one UPIN. The CMS contracts with one company to maintain a database, the UPIN Registry, that contains relevant data on all assigned UPINs. Information regarding the practice settings (i.e., physical locations where the physician practices medicine) associated with a particular UPIN are included in the UPIN Registry. Medicare requires physicians to notify their local Part B carriers of any practice setting changes. In addition, local carriers have been instructed by CMS to inactivate practice settings for which there has been no claim activity during the previous 12 months. For the purposes of this report, we will refer to UPINs without any active practice settings as inactive, and UPINs that have never been assigned by Medicare as invalid.

We compared the UPINs listed on 1999 medical equipment and supply claims to information contained in the UPIN Registry. We then identified Medicare payments for claims where the listed UPIN was either invalid or inactive on the date of service.

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## FINDINGS

### **Medicare paid \$32 million for medical equipment and supply claims with invalid UPINs in 1999**

In 1999, Medicare allowed charges for medical equipment and supply claims with invalid UPINs totaled \$32 million. Approximately 14,000 different invalid UPINs were used on medical equipment and supply claims paid by Medicare. Seventy-eight percent of the

invalid UPINs appearing on these claims in 1999 were associated with less than \$1,000 in Medicare allowed charges. However, 106 of the invalid UPINs had more than \$50,000 in allowed charges associated with them. One invalid UPIN was listed as the ordering physician by seven different suppliers on \$1.1 million in Medicare claims.

### **Medicare paid \$59 million for medical equipment and supply claims with inactive UPINs in 1999**

In 1999, Medicare allowed \$59 million for medical equipment and supply claims with UPINs that were inactive on the date of service. More than 28,000 inactive UPINs were listed on claims paid by Medicare in 1999. Thirty percent of these UPINs had been inactive for at least 3 years, and accounted for \$10 million in payments. Some UPINs listed on medical equipment and supply claims had been inactive for more than 9 years as of the claim's date of service.

### **A small number of suppliers accounted for a significant share of allowed charges for claims with invalid or inactive UPINs**

Almost 25,000 (28 percent) of the approximately 90,000 suppliers that submitted claims to Medicare in 1999 used an invalid or inactive UPIN on at least one claim. One hundred suppliers alone accounted for \$17 million of the \$91 million in allowed charges for claims with invalid or inactive UPINs. Allowed charges for claims with invalid or inactive UPINs made up a very small share (less than 2 percent) of the average supplier's 1999 reimbursement. However, we identified 1,053 suppliers that had more than 30 percent of their 1999 allowed charges associated with invalid or inactive UPINs.

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## **RECOMMENDATIONS**

We believe that our findings illustrate a significant vulnerability in Medicare's claims processing system for medical equipment and supplies. Carriers should only pay for medical equipment and supply claims that include accurate UPINs. While it is possible that some of the equipment and supplies that we identified were medically necessary, the inability of Medicare systems to determine whether claims are submitted with invalid or inactive UPINs creates the potential for widespread abuse.

In order to address the issues identified by this report, we recommend that CMS:

**Revise claims processing edits to ensure that UPINs listed on medical equipment and supply claims are valid and active.**

**Emphasize to suppliers the importance of using accurate UPINs when submitting claims to Medicare.**

We have provided CMS with 1999 data on medical equipment and supply claims with invalid or inactive UPINs for further analysis and review. The CMS, if necessary, will forward any suspected problematic claims to our Office of Investigations.

## **Agency Comments**

The CMS concurred with our recommendation concerning the revision of claims processing edits. The agency indicated that it has developed instructions, system changes, and edits which will reject claims listing a deceased physician's UPIN. Once this initiative is implemented in April 2002, CMS plans to expand it to include all invalid and inactive UPINs. The CMS also agreed with our recommendation concerning supplier education. The full text of CMS' comments is presented in Appendix A.

We agree that CMS' recent actions indicate that positive first steps are being taken, and look forward to its future initiatives involving UPINs. However, until these initiatives are in place, we believe that CMS should perform post-payment reviews in order to detect the use of invalid and inactive UPINs on medical equipment and supply claims.